

SB

14

**STATE OF ALASKA
1988 LEGISLATIVE SESSION**

BILL VERSION: SB 14
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: January 22, 1988
Title: An Act relating to the interest
rate on commercial fishing loans
Sponsor: Kerttula
Requester: _____

Agency Affected: Commerce & Econ. Dev.
BRU: Investments
Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	[154.4]	[308.8]	[463.2]	[617.6]
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULLTIME						
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill would reduce the interest rate charged on commercial fishing loans from 10.5% to 9%.

(CONTINUED - NEXT PAGE)

Prepared by: Martin J. Richard, Director Phone: 465-2510
Division: Investments Date: January 22, 1988

Approved by Commissioner: J. Anthony Smith Date: 1-26-88
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB 14, "An Act relating to the interest rate on commercial fishing loans

ANALYSIS: (CONTINUED)

The assumptions used in developing this fiscal note are as follows:

1. An effective date of July 1, 1988.
2. An annual investment of \$14.5 million in new loans.
3. An average loan term of 11.5 years.
4. Payments made on loans made in FY 89 are not due until FY 90.

Based on an average loan size of \$57,650.00, the annual payment required at 9% would be \$614.00 less (\$8,866.00 vs. \$8,252.00) than at the existing rate of 10.5%. Revenues would be reduced \$154.4 in FY 90, with an increasing cumulative effect in all years thereafter.

For every \$14.5 million invested, a 1.5% reduction in interest would result in approximately \$1.8 million in lost revenue to the state over the life of those loans.

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

COMMERCIAL FISHING LOAN PROGRAM
Alaska Statutes 16.10.310-370

SECTION A
(Limited Entry Permit Loans to Individuals)

WHAT IS THIS LOAN PROGRAM FOR?

If you are interested in buying a limited entry permit, this program may provide financial assistance. If you receive a loan under this section, you will not be able to borrow under section B of this program in the future.

WHO CAN APPLY FOR A LOAN?

An individual who is 18 years old or older, is a two-year resident of Alaska, and has experience in a commercial fishery during three of the last five years, including the season prior to filing a loan application, may apply for a loan.

HOW MUCH CAN BE BORROWED?

Depending upon your needs, up to \$300,000 can be borrowed.

WHAT IS THE INTEREST RATE?

An interest rate of 10½% per year will be charged on the outstanding loan balance.

HOW MUCH TIME IS ALLOWED TO REPAY THE LOAN?

You may be allowed up to 15 years to repay the loan.

IS COLLATERAL REQUIRED?

The State will require collateral, such as a security interest in the limited entry permit, until the loan is repaid. Under certain circumstances, the State may require additional collateral.

WHERE CAN I APPLY FOR A LOAN?

For more information on this program or a loan application form, please contact the office located in your area:

Division of Investments
Pouch D
Juneau, Alaska 99811
Telephone: 465-2510

Division of Investments
3601 C Street, Suite 740
Anchorage, Alaska 99503
Telephone: 562-3779

Division of Investments
675 7th Avenue, Station A
Fairbanks, Alaska 99701
Telephone: 452-8182

Division of Investments
P.O. Box 370
Dillingham, Alaska 99576
Telephone: 842-1087

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

COMMERCIAL FISHING LOAN PROGRAM
Alaska Statutes 16.10.310-370

SECTION B
(Permit, Vessel and Gear Loans)

WHAT IS THIS LOAN PROGRAM FOR?

If you are interested in the repair, restoration, or upgrading of your vessel and gear, or in the purchase of a limited entry permit, gear, or vessel, this program may provide financial assistance if no other source of financing is available to you.

WHO CAN APPLY FOR A LOAN?

An individual who is 18 years old or older, and is a two-year resident of Alaska may apply for a loan if the individual, because of lack of training or employment opportunities is dependent upon commercial fishing, or is economically dependent upon commercial fishing for earning a living, and for whom commercial fishing has been a traditional Alaskan way of life. Two or more commercial fishermen may apply jointly to this program, except for the purchase of a permit.

HOW MUCH CAN BE BORROWED?

Up to \$100,000 can be borrowed.

WHAT IS THE INTEREST RATE?

An interest rate of 10½% per year will be charged on the outstanding loan balance.

HOW MUCH TIME IS ALLOWED TO REPAY THE LOAN?

You may be allowed up to 15 years to repay the loan.

IS COLLATERAL REQUIRED?

The State will require collateral, such as a security interest in the limited entry permit, the vessel or gear, until the loan is repaid.

WHERE CAN I APPLY FOR A LOAN?

For more information on this program or a loan application form, please contact the office located in your area:

Division of Investments
Pouch D
Juneau, Alaska 99811
Telephone: 465-2510

Division of Investments
3601 C Street, Suite 740
Anchorage, Alaska 99503
Telephone: 562-3779

Division of Investments
675 7th Avenue, Station A
Fairbanks, Alaska 99701
Telephone: 452-8182

Division of Investments
P.O. Box 370
Dillingham, Alaska 99576
Telephone: 842-1087

**SPECIAL REPORT 4
STATISTICS ON DCED LOAN PROGRAMS
(Thousands of Dollars)**

January 2, 1987

	Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Hist Dist	Mining	Alternative Energy	Resid. Energy	Fish Enhance	Power Dev.	Water Resource	Total
COMMITMENTS														
Total No. Loans														
Committed FY 72-87	7,718	1,338	3,120 ³	59	231	62	12	71	2,944	2,232	133	5	5	17,930
Total Dollar Amount														
Committed FY 72-87	371,795.2	202,529.3	181,395.0 ³	29,874.7	8,357.2	2,175.6	1,345.4	28,428.4	19,299.6	8,346.5	52,577.8	193,847.0	2,500.0	1,102,469.7
Total No. Loans														
Committed FY 87	-0-	-0-	70 ³	-0-	14	3	1	-0-	10	2	9	1	-0-	110
Total Dollar Amount														
Committed FY 87	-0-	-0-	4,014.5 ³	-0-	351.4	150.0	250.0	-0-	88.8	8.6	1,804.3	1,000.0	-0-	7,667.6
APPROPRIATIONS														
FY 84	-0-	-0-	9,091.0	-0-	-0-	869.5	500.0	-0-	2,400.0	3,123.4	6,500.0	N/A	-0-	22,483.9
FY 85	-0-	-0-	3,500.0	-0-	-0-	-0-	-0-	-0-	1,000.0	-0-	5,000.0	210,000.0	-0-	219,500.0
FY 86	-0-	-0-	3,710.0	-0-	-0-	-0-	-0-	-0-	845.0	-0-	812.0	-0-	-0-	5,367.0
FY 87					64.0		400.0							464.0
LOANS OUTSTANDING														
Owned by Fund														
Number of Loans														
Outstanding	28	20	1,441	3	48	35	5	47	1,612	1,243	112	1	1	4,596
Principal Amount														
Outstanding	1,667.8	3,067.3	82,014.7	1,074.7	951.1	1,362.3	736.0	13,114.2	10,952.3	3,269.9	45,497.4	186,104.1	867.6	330,679.4
Average Loan Amount														
Outstanding	59.6	153.4	43.0	358.2	19.8	38.9	147.2	279.0	6.8	2.6	406.2	186,104.1	867.6	72.0
Serviced for AIDA														
Number of Loans														
Outstanding	1,592	201	324	7	N/A	1	3	N/A	N/A	N/A	11	N/A	N/A	2,139
Principal Amount														
Outstanding	69,204.8	17,473.6	11,378.1	914.7		6.9	97.7				6,134.2			105,210.0
Average Loan Amount														
Outstanding	43.5	86.1	35.1	130.7		6.9	32.8				557.7			49.2
Summary														
Total No. of Loans														
Outstanding	1,620	221	1,765	10	48	36	8	47	1,612	1,243	123	1	1	6,735
Total Principal														
Amount Outstanding	70,872.6	20,540.9	73,392.8	1,989.4	951.1	1,369.2	833.7	13,114.2	10,952.3	3,269.9	51,631.6	186,104.1	867.6	435,889.4
DELINQUENCY RATES AND DEFAULT STATISTICS														
Statistics Based on Balances Outstanding														
% Delinquent ¹	5.2%	10.2%	17.1%	1.9%	27.5%	10.4%	-0-	22.3%	4.1%	7.9%	4.7%	-0-	-0-	5.7%
% In Default ²	1.6%	23.1%	4.2%	4.2%	1.3%	19.9%	-0-	29.5%	3.8%	2.3%	3.0%	-0-	-0-	3.5%
Statistics Based on Number of Loans														
% Delinquent ¹	4.5%	11.3%	13.9%	20.0%	31.2%	8.3%	-0-	19.2%	3.7%	6.9%	2.4	-0-	-0-	7.7%
% In Default ²	1.4%	17.2%	2.7%	10.0%	4.1%	13.8%	-0-	27.6%	4.2%	1.6%	1.6%	-0-	-0-	3.3%

¹ Delinquent is defined as 60 days or more past due, not in litigation.

² Default is defined as in litigation.

³ Prequalifications NOT included

⁴ WWII Veterans Loans sold to AHFC as mandated by Sec. 102, Ch 138 SLA 1986, effective close of business December 31, 1986.

Prepared by: Division of Accounting and Collections

1/21/87

not adjusted for outstanding payments added

DIVISION of ACCOUNTING & COLLECTIONS

Commercial Fishing Extension Statistics

as of January 5, 1987

EXTENSION REQUESTS

Area	<u>Number Received to Date</u>	<u>Number Processed to Date</u>	<u>Number Tabled to Date</u>	<u>Number Approved to Date</u>	<u>Number Disapproved to Date</u>	<u>Number Paid to Date (in lieu of ext)</u>
Bristol Bay	<u>30</u>	<u>6</u>	<u> </u>	<u>4</u>	<u>2</u>	<u> </u>
Cook Inlet	<u>6</u>	<u>3</u>	<u> </u>	<u>2</u>	<u>1</u>	<u> </u>
Prince William Sound	<u>44</u>	<u>25</u>	<u>1</u>	<u>16</u>	<u>8</u>	<u> </u>
Kodiak	<u>10</u>	<u>3</u>	<u> </u>	<u>1</u>	<u>2</u>	<u> </u>
Kuskokwim	<u>2</u>	<u>-0-</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Southeastern	<u>18</u>	<u>12</u>	<u> </u>	<u>8</u>	<u>3</u>	<u>1(workout)</u>
Norton Sound	<u>1</u>	<u>1</u>	<u> </u>	<u> </u>	<u>1</u>	<u> </u>
Yakutat	<u>1</u>	<u>1</u>	<u> </u>	<u>1</u>	<u> </u>	<u> </u>
Peninsula/Aleutians	<u>1</u>	<u>1</u>	<u> </u>	<u> </u>	<u>1</u>	<u> </u>
Kotzebue	<u>4</u>	<u>4</u>	<u> </u>	<u>2</u>	<u>2</u>	<u> </u>
Chignik	<u>1</u>	<u>-0-</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other	<u>3</u>	<u>-0-</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u><u>121</u></u>	<u><u>56</u></u>	<u><u>1</u></u>	<u><u>34</u></u>	<u><u>20</u></u>	<u><u>1</u></u>

<u>REQUEST HISTORY</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>CHANGE (1985-86)</u>	<u>%CHANGE (1985-86)</u>
Bristol Bay	<u>18</u>	<u>68</u>	<u>89</u>	<u>30</u>	<u>-59</u>	<u>-66.3%</u>
Cook Inlet	<u>22</u>	<u>5</u>	<u>18</u>	<u>6</u>	<u>-12</u>	<u>-66.6%</u>
Prince William Sound	<u>48</u>	<u>27</u>	<u>15</u>	<u>44</u>	<u>+29</u>	<u>+193.3%</u>
Kodiak	<u>62</u>	<u>21</u>	<u>20</u>	<u>10</u>	<u>-10</u>	<u>-50.0%</u>
Kuskokwim	<u> </u>	<u> </u>	<u>6</u>	<u>2</u>	<u>-4</u>	<u>-66.6%</u>
Southeastern	<u>56</u>	<u>13</u>	<u>16</u>	<u>18</u>	<u>+2</u>	<u>+12.5%</u>
Norton Sound	<u>N/A</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u> </u>	<u> </u>
Yakutat	<u>N/A</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u> </u>	<u> </u>
Peninsula/Aleutians	<u>14</u>	<u>2</u>	<u>7</u>	<u>1</u>	<u>-6</u>	<u>-85.7%</u>
Kotzebue	<u>N/A</u>	<u>1</u>	<u>0</u>	<u>4</u>	<u>+4</u>	<u> </u>
Chignik	<u>5</u>	<u>1</u>	<u>11</u>	<u>1</u>	<u>-10</u>	<u>-90.9%</u>
Other	<u>11</u>	<u>25</u>	<u>9</u>	<u>3</u>	<u>-6</u>	<u>-66.6%</u>
TOTAL	<u><u>236</u></u>	<u><u>208</u></u>	<u><u>193</u></u>	<u><u>121</u></u>	<u><u>-72</u></u>	<u><u>-37.3%</u></u>

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: SB 14
Publish Date: 1/19/87

Revision Date: _____
Title: Interest rate on commercial
fishing loans.

Agency Affected: Comm. & Econ. Devel.
BRU: Investments

Sponsor: Senator Kerttula
Requestor: _____

Components: Economic Development

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	[154.4]	[308.8]	[463.2]	[617.6]

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached.

Prepared by: Paul B. Arnoldt, Director
Division: Investments

Phone: 465-2510
Date: 2/5/87

Approved by Commissioner: _____
Agency: Commerce and Economic Development

Date: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Attachment to Fiscal Note for SB 14.

This bill would reduce the interest rate charged on commercial fishing loans from 10.5% to 9%.

The assumptions used in developing this fiscal note are as follows:

1. An effective date of July 1, 1987.
2. An annual investment of \$14.5 million in new loans.
3. An average loan term of 11.5 years.
4. Payments made on loans made in FY 88 are not due until FY 89.

For every \$14.5 million invested, a 1.5% reduction in interest would result in approximately \$2.8 million (\$1.9 million present value at 8% discount) in lost revenue to the state over the life of those loans.

Based on an average loan size of \$57,650, and an average term of 11.5 years, the annual payment required at 9% would be \$614.00 less (\$8,866 vs. \$8,252) than at the existing rate of 10.5%.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

STEVE COWPER, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: (907) 465-2510

February 11, 1987

M

Honorable Tim Kelly
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

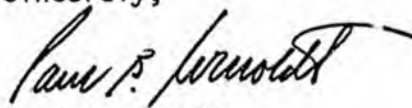
Re: Delinquency Statistics

As requested during my testimony on SB 14 before the Senate Labor and Commerce Committee, I researched the department's archive records for commercial fishing loan delinquency reports for the years 1972 and 1979. Unfortunately, it appears that delinquency records were not kept during those years, and I am unable to provide you with that information.

Since the division's split in 1983, the Division of Accounting and Collections has maintained delinquency records. You may wish to contact Martin J. Richard, the director of the Division of Accounting and Collections, if you need recent delinquency information.

I am sorry I could not provide you the information you requested.

Sincerely,



Paul B. Arnoldt
Director

PRA/GW/ssD2
02108/b

cc: Martin J. Richard, Director
Division of Accounting and Collections